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Vol. VI, Tab 38 - Ex. 31 - Survey of Rosetta Stone Brand Health

Rosetta Stone

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Survey of Rosetta Stone Brand Health

August 2005

Team:

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Survey Statistics

- A respondents panel was bought from GMI
<http://www.gmi-mr.com/>
- 3341 respondents completed the online survey which brings the overall margin of error to less than 2% for the questions answered by all 3341 respondents.

EXHIBIT 31

Sample Characteristics

- Since the survey was distributed online, it is representative only for the 68% of the American residents who have Internet connectivity.
- The sample excludes two age categories: below 18 and above 65 years.
- The method of data collection and the age structure of the sample make it representative for a specific segment of the US population that has the following characteristics:
 - Women are overrepresented and men underrepresented by 3%.
 - It is slightly older than the US population as a whole (36.5 versus 35 average age for the sample and the US population respectively)
 - with higher education but not as high as the Rosetta Stone customers
 - and with income that is slightly higher than the income of the US population as a whole but lower than the income of the typical Rosetta Stone customer
- In summary, the sample represents a segment of the US population with characteristics that place it in the middle between the Rosetta Stone customers and the general US population in terms of education, income, and age.

Educational characteristics of the sample and the US population

Education

	Sample	US 2003
No high school	2%	15%
High school	18%	32%
Some college	44%	25%
BA +	36%	27%

Educational characteristics of the sample and the RS customers

	Survey	Customers
Some high school	1.71%	1.26%
High school graduate	18.46%	3.54%
Some university/college	44.15%	20.08%
Bachelor's degree	24.50%	34.72%
Master's degree	8.45%	23.86%
Ph.D./Professional	2.74%	16.54%

Income of the sample, the US population, and RS customers

Which one of the following broadly defined categories best describes your total household income in 2004?

	Survey	US Census 2000	RS customers
1 below \$25,000	17%	29%	6.66%
2 \$25,000-\$50,000	30%	29%	19.12%
3 \$50,000-\$75,000	26%	19%	15.44%
4 \$75,000-\$100,000	14%	10%	17.28%
5 \$100,000-\$125,000	6%	5%	12.75%
6 \$125,000-\$150,000	3%	3%	7.93%
7 above \$150,000	3%	5%	20.82%

Have you studied a foreign language?

Have you ever studied any languages other than English? Further in the questionnaire we will refer to these languages simply as foreign languages.

Yes	2752	76.89%
No	827	23.11%

Total	3579	
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How have you studied a FL?

(Only people who had studied FL)

What methods have you used to study foreign languages?		Percentage of responses	Percentage of respondents
Group sessions with a teacher (language classes)	2329	44.03%	84.63%
Computer software programs (delivered via CD ROM or online)	522	9.87%	18.97%
Books	1013	19.15%	36.81%
Audio CDs/Audio tapes	707	13.36%	25.69%
One-on-one sessions with a teacher (private tutor)	262	4.95%	9.52%
The language was spoken at home	264	4.99%	9.59%
Other	193	3.65%	7.01%
Total	5290		

How have you studied a FL?

(Only people who had studied FL).

- Of these "Other" methods the most common are:
 - living in the country where the target language is spoken and thus learning by immersion.
 - Next, were people saying they learned languages from their friends, followed by
 - being immersed in the language in one's neighborhood, though not in the country where the target language is spoken.

Comparison with Europe

What methods have you used to study foreign languages?

		America	Europe
Group sessions with a teacher (language classes)	2329	44.03%	46%
Computer software programs (delivered via CD ROM or online)	522	9.87%	
Books	1013	19.15%	12.00%
Audio CDs/Audio tapes	707	13.36%	
One-on-one sessions with a teacher (private tutor)	262	4.95%	7.80%
The language was spoken at home	264	4.99%	
Other	193	3.65%	

Language Software Users

- The respondents who have used computer software are:
 - younger: 57% are in the 18-34 group compared to 29% of the RS customers.
 - more educated than the group of all respondents who have studied foreign languages.
 - They are also mostly male (55 to 45 percent) while the group of all language learners are mostly female (54 to 46 percent, mirroring the composition of the sample).
- In relation to this, we examined how much money are spent by the different age groups on language learning.
 - The 25-34 group spends on average \$125
 - The 35-44 group spends on average \$104
 - The 45-54 group spends on average \$72

Effectiveness Rankings

Rank the following methods to learn a language in order of effectiveness with 1 being Most Effective and 5 being Least Effective.

	1	2	3	4	5	Ranking
Group sessions with a teacher	29%	48%	9%	9%	5%	2.1
Self-study book	5%	7%	14%	16%	60%	4.2
Audio CD/Audio tape	4%	12%	36%	36%	12%	3.4
Computer software program (delivered via CD ROM or online)	4%	11%	36%	34%	15%	3.4
One-on-one sessions with a teacher	58%	22%	5%	6%	8%	1.8

Methods' effectiveness

(only respondents who self-studied FL)

- We analyzed separately the group of respondents who have used self-study methods to see if they have different ranking of the methods' effectiveness.
- Our conclusion is that this group ranks the methods' effectiveness very similarly to the way all respondents rank these methods.
- Therefore, the people who have used self-study methods did this despite the fact that they think self-study methods are less effective than language classes or private tutors.

For the 729 people who self-studied at home, no difference is found on how they rank the effectiveness of different methods:

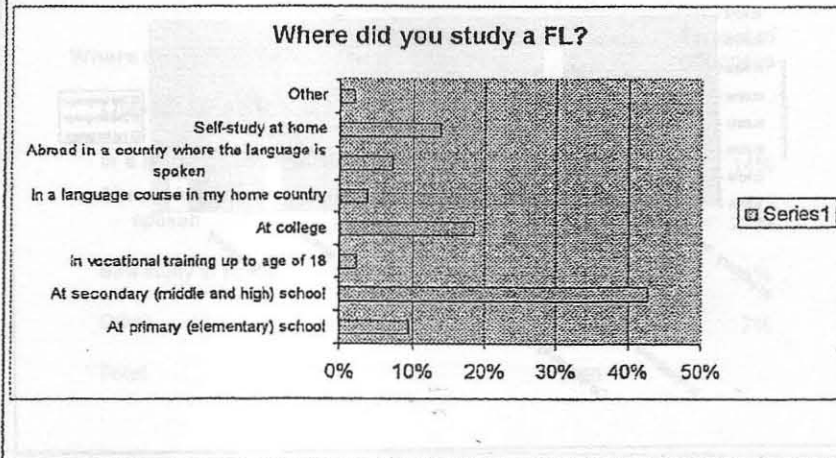
Group sessions with a teacher	2.16
Self-study book	3.98
Audio CD/Audiotape	3.35
Computer software program delivered via CD ROM or online	3.33
One-on-one sessions with a teacher	1.83

Effectiveness as an opportunity to gain market share

- One interesting finding from the survey "Europeans and Languages" conducted in 2001 is that the methods that are considered the most effective are considered the least convenient and the other way around. For example, in this survey 90% of the respondents think one-on-one session with a teacher is an effective method but only 20% think it is also a convenient method.
- In the customer satisfaction surveys that we have conducted and in the research about the buying decisions, we have determined that the effectiveness of a language product/service is a major driver of satisfaction and of the purchase decision.
- Based on all this, we believe that making more effective software programs and convincing the public that software programs are an effective method to learn a language is a major opportunity to increase the market share of the product category.

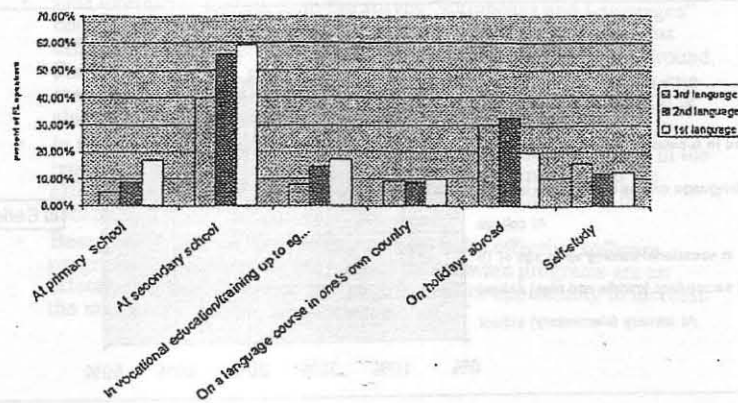
Where did you study a FL?

America. Percent of people who have studied a FL.



How have they learned FLs?

(percent of people who speak FLs)



Where they have studied FL

Percent of people who continued studying FL after school and college

Where they have studied foreign languages		Percent of responses
I have studied a foreign language:		
In a language course in my home country	200	14%
Abroad in a country where the language is spoken	385	27%
Self-study at home	730	51%
Other	105	7%
Total	1420	

"Other"

- "Other" places are:
 - at home where the language is spoken,
 - in the neighborhood where the language is spoken, and
 - at work where the language is either spoken by co-workers or employees receive instruction in a particular language

Why did you study FLs?

Why did you study foreign languages?		Percentage of responses	Percentage of respondents
To use it at work or get a better job	479	8%	17%
To communicate with family members and/or friends	493	9%	18%
To get by when traveling abroad	672	12%	24%
For personal satisfaction	1249	22%	45%
To be able to understand people from other cultures	1046	18%	38%
To meet a course (credit) requirement	1710	30%	62%
Other	89	2%	3%

Motives for studying FL

"To meet course requirement" is excluded and percentages recalculated

Why did you study foreign languages?	America
To use it at work or get a better job	11.89%
To communicate with family members and/or friends	12.24%
To get by when traveling abroad	16.68%
For personal satisfaction	31.01%
To be able to understand people from other cultures	25.97%
Other	2.21%
	Europe
To use it abroad	47.10%
To use it at work	26.00%
To get a better job	22.40%
For personal satisfaction	37.00%
To be able to understand people from other cultures	23.50%

Motives for studying FLs

Comparison RS customers – current survey

Why did you study foreign languages? Current survey	Ranks	Motive RS customers	Ranks
For personal satisfaction	1	Abroad	1
To be able to understand people from other cultures	2	Culture	2
To get by when traveling abroad	3	Fun	3
To communicate with family members and/or friends	4	Feel good	4
To use it at work or get a better job	5	Education	5
Other	6	Get a job	6
		Heritage	7
		Career	8
		Respect	9

How many languages do you speak?

Percent of respondents who have studied foreign languages

How many languages other than English do you speak?

None	1286	49.14%
One	910	34.77%
Two	318	12.15%
Three	67	2.56%
More than three	36	1.38%
Total	2617	

Foreign language speakers in USA

- In the current survey 49% of the people who have studied foreign languages say that they speak foreign languages.
- This means that 37% of the people studied in this survey speak foreign languages.
- In a Gallup survey in 2003 this percentage is 26%.
- In a survey by ACTFL this percent is about 10%.
- According to the Census bureau, the percentage of people who speak foreign language at home is 16%.
- Based on all this, we can conclude that about 10% of the Americans manage to learn a language other than English outside their home.

What languages do you speak?

Percent of respondents who speak foreign languages

What foreign languages do you speak?		Percentage of responses	Percentage of respondents..
Spanish	816	42.54%	61.31%
French	352	18.35%	26.45%
Chinese	57	2.97%	4.28%
German	198	10.32%	14.88%
Italian	74	3.86%	5.56%
Russian	49	2.55%	3.68%
Japanese	36	1.88%	2.70%
Portuguese	24	1.25%	1.80%
Arabic	33	1.72%	2.48%
Hindi	38	1.98%	2.85%
Other	241	12.57%	18.11%
Total	1918		

Frequency of use

"Americans and Languages" Percent of people who speak FLs

How often do you use the foreign languages that you have studied? If you speak more than one foreign language, please answer for the language that you use most frequently.

At least one hour a day 256 19.50%

At least one hour a week 191 14.55%

Occasionally (for example, on trips abroad) 866 65.96%

Total	1313
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Circumstances in which FLs are used

In what circumstances do you use the foreign languages that you have studied? Please mark all that apply.

	America	Europe
On holidays abroad	15%	47%
Watching films/TV, listening to radio	14%	23%
Conversations at work	10%	21%
Reading books/newspapers/magazines	10%	20%
Communicating with friends	12%	19%
On the internet	8%	16%
Reading at work	3%	13%
Communicating with family members	9%	12%
Writing emails/letters at work	4%	11%
Traveling abroad on business	7%	8%
While studying something else	5%	7%
Other	4%	

**"Other" circumstances in which FL
is used**

- The most common response in the "Other" category is along the lines of "Do not use the language anymore."
- Those people who do still use the language they once studied, use the language now to:
 - converse with others who speak the language,
 - in religious services, and
 - talking with people in stores and restaurants.

Brand awareness (recall):

Please write in the box below all the BRAND NAMES of language-learning products, services, and language schools that you can think of. Think of any products and services that can be used to study a foreign language.

	Recalled	Recognized
Auralog	2	75
Berlitz	257	955
Instant Immersion	17	219
Pimsleur	32	153
Rosetta	74	561
Transparent	15	158

Brand Recognition:

Do you remember having seen or heard of any of the following brands? Please mark all the brands that you are aware of.

		Percentage of response	Percentage of respondent
Rosetta Stone	561	13.34%	15.67%
Berlitz	955	22.71%	26.68%
Auralog	75	1.78%	2.10%
Transparent	158	3.76%	4.41%
Pimsleur	153	3.64%	4.27%
Lingua Advance	147	3.50%	4.11%
Instant Immersion	219	5.21%	6.12%
I have never seen any of these brands	1937	46.06%	54.12%
Total	4205		

Brand Recognition 2

- One of the brands is fictional: Lingua Advance and still 4% of respondents recognize it. We need to discount all other brand recognition scores with 4% to account for the people who "recognize" a brand that they actually have never seen.

Source of information about RS

Percent of people who recognize the RS brand

From which one of these sources have you received any information about Rosetta Stone?
Please mark all that apply.

		Percent of responses	Percent of respondents
I have seen a magazine/newspaper advertisement	228	27.05%	40.64%
I have heard a radio advertisement	105	12.46%	18.72%
The Rosetta Stone name came up in a web search (Google or another search engine)	180	21.35%	32.09%
I have visited the Rosetta Stone web site	89	10.56%	15.86%
Friends and/or relatives told me about Rosetta Stone	108	12.81%	19.25%
I have seen a Rosetta Stone kiosk	61	7.24%	10.87%
Other	72	8.54%	12.83%

Total	843		
Note: the respondents who recognize RS had used on average almost two sources of information about the company.			

"Other" sources of information

- Other: sources of information are:
 - from school and
 - in retail stores.
 - However, most people in this category do not remember from what source they have heard about Rosetta Stone.

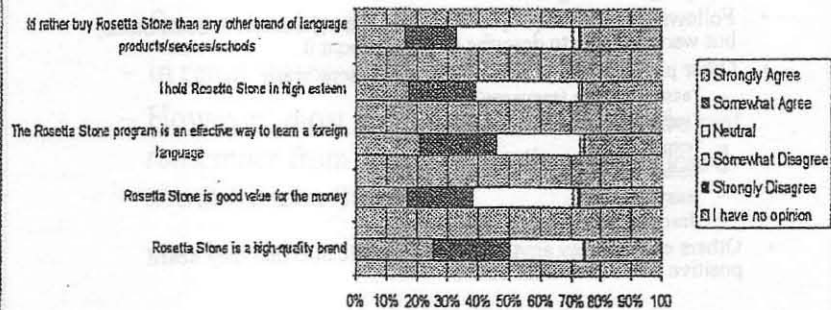
Please describe in a couple of sentences
what you know about Rosetta Stone.

- The most popular response described Rosetta Stone as simply a "language learning tool".
- Following that were people who only knew the name Rosetta Stone, but were not able to describe anything about it.
- Other phrases used to describe Rosetta Stone were:
 - "easier to learn languages",
 - "seems effective",
 - "expensive",
 - "many languages",
 - "easy to learn",
 - "learn quickly".
- Others couldn't say anything more specific than that they heard positive comments from others.

Rosetta Stone Brand

Percent of people who recognize the RS brand

In comparison with alternative brands of language product, services and schools:



Intentions to study FLs

Percent of all respondents

Do you intend to study foreign languages in the next 12 months?

Yes 751 22.40%

No 1782 53.15%

I am not sure 820 24.46%

Total		3353	
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Differences in intentions to study FLs between age and gender groups

- Men intend more than women to study languages.
- The age group 25-34 intends to study FL more than the age groups of 35-44 and 45-54.

Reasons for not studying FLs

Percent of respondents who answered "I am not sure" or "No" to the question about intentions to study FLs

What is the reason that you don't intend to study a foreign language in the next 12 months?
Please mark all that apply.

		Percent of responses	Percent of respondents
I have no time to study properly	1098	31.46%	61.62%
I am not motivated enough	961	27.54%	53.93%
It is too expensive	280	8.02%	15.71%
I am not good at languages	431	12.35%	24.19%
I can't find an effective language learning solution	185	5.30%	10.36%
Other	535	15.33%	30.02%
Total	3490		

"Other" reasons for not studying FLs

- The primary "Other" reason given was that people simply are not interested in learning foreign languages and
- do not want to, or do not feel the need to learn them.
- Some people were simply not sure whether or not they would study a language within the next year.

Purchases of language products

Percent of all respondents

Have you bought any language learning products/services within the last 12 months? Think about any products or services that you have bought in order to learn a foreign language. For example, language classes, audio CDs, computer programs, dictionaries, etc.

Yes	429	12.95%
No	2883	87.05%
Total	3312	

Product category market shares

What product/services have you bought within the last 12 months in order to study foreign languages? Please mark all that apply.

		Percent of responses	Percent of respondents
Audio tape/Audio CD	183	21.53%	42.66%
Computer software program (delivered via CD ROM or online)	181	21.29%	42.19%
Book	209	24.59%	48.72%
Dictionary	155	18.24%	36.13%
Private instructor/tutor	30	3.53%	6.99%
Classroom instructor (language classes)	62	7.29%	14.45%
Other	30	3.53%	6.99%
Total	850		

Language Learning Expenditures

Percent of all respondents who have bought language products

In the last 12 months, approximately how much money did you spend in order to study languages other than English?

below \$50	190	41.39%	77%
\$50-\$99	85	18.52%	
\$100-\$149	52	11.33%	
\$150-\$199	26	5.66%	
\$200-\$299	24	5.23%	
\$300-\$399	30	6.54%	23%
\$400-\$499	15	3.27%	
\$500-\$599	11	2.40%	
\$600-\$699	7	1.53%	
\$700-\$799	2	0.44%	
\$800-\$899	1	0.22%	
\$900-\$999	2	0.44%	
more than \$1,000	14	3.05%	
Total	459		

Language Learning Expenditures 2

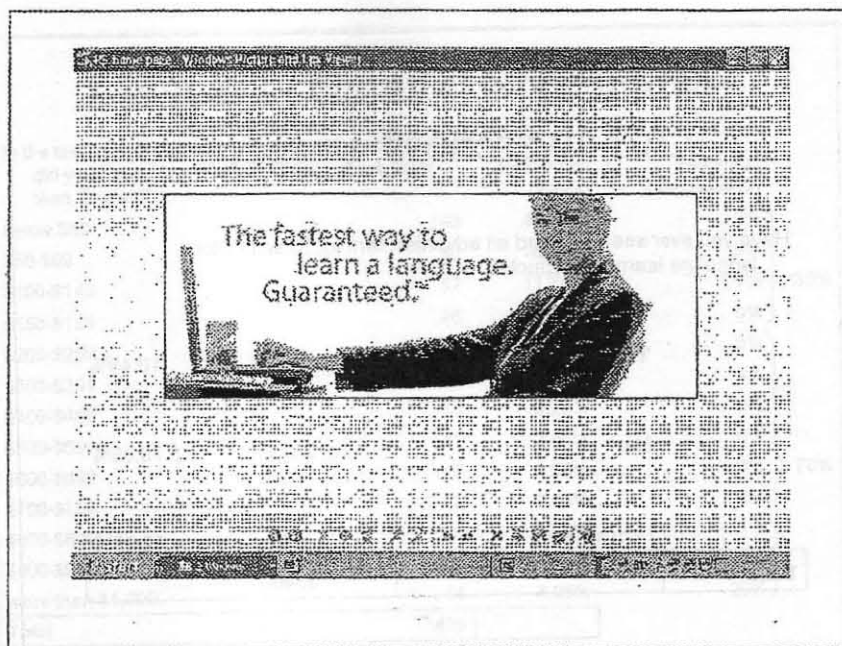
In the last 12 months, approximately how much money did you spend in order to study languages other than English?

		Percent of buyers	Percent of purchases (\$)	
below \$50	190	41.39%	6%	30%
\$50-\$99	85	18.52%	9%	
\$100-\$149	52	11.33%	9%	
\$150-\$199	26	5.66%	6%	
\$200-\$299	24	5.23%	8%	
\$300-\$399	30	6.54%	14%	70%
\$400-\$499	15	3.27%	9%	
\$500-\$599	11	2.40%	8%	
\$600-\$699	7	1.53%	6%	
\$700-\$799	2	0.44%	2%	
\$800-\$899	1	0.22%	1%	
\$900-\$999	2	0.44%	3%	
more than \$1,000	14	3.05%	20%	
Total	459			

Ad awareness: unaided

Have you ever seen or heard an advertisement for Rosetta Stone language learning products?

Yes	351	10.49%
No	2575	76.96%
I am not sure	420	12.55%
Total	3346	



Ad awareness: aided

Yes, I have seen this one or a similar ad
for Rosetta Stone. 417 12.51%

No, I have never seen this one or a
similar ad for Rosetta Stone before. 2606 78.19%

I am not sure if I had seen the above ad. 310 9.30%

Total	3333
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EXHIBIT 35
Final Report
March 2006

Survey Designed and Conducted by Nino G. Ninov,
Joan Liu, and Kara Westerbeck